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# **GROWTH FACTS**

#### GROSS PREMIUMS WRITTEN

1965 \$ 980,224 1968 2,495,743 1971 3,022,694

#### CLAIMS INCURRED

1965 \$ 511,293 1968 1,411,309 1971 1,969,85

## INVESTMENT INCOME AND CAPITAL GAIN

 1965
 \$ 64,256

 1968
 232,389

 1971
 254,501

## ABSTAINERS' INSURANCE COMPANY



(Incorporated under the laws of the Province of Ontario) Simcoe, Ontario

## **BALANCE SHEET**

as at December 31, 1971 (with comparative figures for 1970)

ASSETS	1971	1970	LIABILITIES
Cash	\$ 118,520	\$ 107,615	Excess of outstanding cheques over b
Investments — at amortized cost (market value 1971 — \$4,111,801; 1970 — \$3,875,023)			Provision for unsettled claims and adjustment expenses
Canadian government and municipal bonds \$1,147,443			Advance premiums
Other bonds and debentures 1,530,455			and claims deposit
Preference stocks 430,729			for which trust funds are held .
Common stocks <u>1,024,223</u>	4,132,850	4,169,489	Total Liabilities
Net premiums receivable	11,742	35,508	CAPITAL STOCK and SUR
Other amounts receivable	8,637	12,650	Capital Stock
Accrued interest on investments	52,713	46,041	Authorized:  2,000 5% cumulative preference
Trust funds for claims of reinsurers	360,600	345,370	each redeemable at par
	\$4,685,062	\$4,716,673	300,000 common shares at \$1 ea
On behalf of the Board:			Issued and Fully Paid:  2,000 preference shares
J. D. McNie, Director			126,614 common shares
S. M. Fletcher, Director			Contributed Surplus — Premium on
The notes to the financial statements			of capital stock
form an integral part of the statements.			Earned Surplus
Excess of book value of bonds in default and stocks			Less Unadmitted Assets
over market value	16,938	113,891	Surplus for the Protection of Polic
Total Admitted Assets	\$4,668,124	\$4,602,782	

#### **AUDITORS' REPORT**

To the Shareholders of Abstainers' Insurance Company:

We have examined the balance sheet of Abstainers' Insurance Company as at December 31, 1971 and the statements of profit and loss and earned surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We examined the calculation of the reserve for unearned premiums and the provision for unsettled claims and adjustment expenses as at the above date and are satisfied that they are adequate.

In our opinion these financial statements present as at December 31, 1971 and the results of its opera with generally accepted accounting principles appreceding year.

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Simcoe, Ontario, January 31, 1972.

### STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS

For the Year ended December 31, 1971 (with comparative figures for the year 1970)

	1971	1970	STATEMENT OF PROFIT AND LOSS	1971	1970
k balance .	S	\$ 32,608	Written premiums (less reinsurance).	\$2,870,403	\$2,987,171
			Earned premiums	\$2,893,268	\$2,944,617
1	1,743,566	1,911,350	Claims and adjustment expenses .	\$1,969,857	\$2,587,093
	1,117,404	1,140,269	All other expenses	920,695 \$2,890,552	935,790
	49,767	56,137	Net underwriting profit (loss)	\$ 2,716	\$3,522,883
	53,596	46,736	Income from investments less	2,710	\$ (378,200)
rued	31,020	69,159	interest paid on reinsurance		
care	31,020	09,139	deposit and investment		
ers	360,600	345,370	counsel expense	254,007 494	229,541 2,199
			Net profit (loss) before taxes on income	\$ 257,217	\$ (346,526)
	\$3,355,953	\$3,601,629	Corporation income tax provision	3 231,211	\$ (340,320)
			(Notes 2 & 3)	102,768	1,632
US			Net profit (loss) before extraordinary		
			item	\$ 154,449	\$ (348,158)
			in income tax provision due to		
ares at \$100	<b>经有效的</b>		loss carry forward from		
100 41 0100			prior years	(101,270)	
1			Net profit (loss) for the year	\$ 255,719	\$ (348,158)
			Profit (Loss) per common share after		
			preferred dividends		
	\$ 200,000	\$ 200,000	Before extraordinary item	\$1.14)	\$(2.83)
	126,614	126,614	For the period	1.94	(2.83)
	\$ 326,614	\$ 326,614	STATEMENT OF EARNED SURPLUS	£ 221 226	© 721 120
le			Balance — January 1st Net profit (loss) for the year	\$ 331,326 255,719	\$ 721,138 (348,158)
	457,104	457,104	rect profit (1055) for the year	\$ 587,045	\$ 372,980
\$ 545,391			Dividends paid on preference		
16,938	528,453	217,435	shares	\$ 10,000	\$ 10,000
		\$1,001,153	Dividends paid on common shares	31,654	31,654
olders	\$1,312,171			\$ 41,654	\$ 41,654
	\$4,668,124	\$4,602,782	Balance — December 31st	\$ 545,391	\$ 331,326

rly the financial position of the company ns for the year then ended, in accordance 1 on a basis consistent with that of the

RS, SAVAGE, HORNE & RONSON
Chartered Accountants

#### Notes to the Financial Statements:

- 1. The fees received during the year by the directors amounted to \$5,400. In addition, the remuneration received during the year by the five highest paid officers and employees, including one director, amounted to \$72,712.
- 2. The company has losses totalling \$292,810 deductible from taxable income in future years.
- 3. The provision for unearned premiums decreased in 1971 resulting in a lesser deduction for tax purposes than that recorded in the accounts. In previous years the taxable income has been decreased by the deduction of unearned premiums in excess of the provisions recorded in the accounts. The accumulated amount of deferred income taxes at current rates resulting from the claiming of the excess for tax purposes is \$99,323 after a reduction of \$2,101 resulting from the provision for the current year. Due to the contingencies involved this amount is not recorded as a liability in the accounts.

# Report to Shareholders

On behalf of your Board of Directors, I submit the Company's Annual Report and the Audited Statement for the year ended December 31, 1971.

Net earnings were restored in 1971 primarily due to two factors:

- (1) Claims were reduced by 24% over 1970, in comparison to only a 2\% reduction in earned premiums.
- (2) A much better investment climate developed in 1971, particularly in the last quarter.

Net profit for the year 1971, after payment of dividends on Preferred Shares, was \$245,719 or \$1.94 per Common and Voting Trust share. Had normal income tax been payable, profit would have been \$1.14 per share.

The effect of inflation on old claims for the company was finally brought under control in 1971, although there was some deterioration of old losses in the Province of Alberta. New claims procedures, and a revision of rates in Alberta and Ontario, enabled the Company to reduce its ratio of claims to earned premiums from 88% in 1970 to 68% in 1971, thereby providing an underwriting profit for the first time since 1968. These measures should continue to strengthen the Company for the future.

Sales in the Fire and Personal Property Department increased by 23% over 1970, while claims exceeded those of 1970 by 10%, enabling this department to show a profit for the first time.

Investments as of December 31, 1971 had a book value of \$4,132,850. Investment income from dividends and interest increased from \$229,541 in 1970 to \$254,007 in 1971. The market value of all stocks exceeded the book value by \$6,000, but the market value of the total portfolio, including bonds, was \$21,000 less than the book value, which represents a deficit of one-half of 1%. The annual yield on the cost price of investments in 1971 was 6.42%.

The Company has no longer any auto insurance in force in Manitoba because of the provincial government take over of most auto insurance business in the province as of November 1, 1971.

No rate increases have been introduced in either Ontario or Alberta for 1972, and no substantial increase is anticipated in automobile insurance rates during the entire year. Our objective is to become more competitive in 1972, and reinstate the growth pattern, which was temporarily suspended in order to regain a profitable base in 1971.

Yours faithfully,

S. R. BERNARDO. President.

#### **OFFICERS**

R. B. Hare, M.D.; F.R.C.S., Chairman of the Board

S. R. Bernardo, President

R. G. Groom, Q.C., Vice President

J. D. McNie, Vice President

R. S. Mills, Q.C., Secretary

S. M. Fletcher, Treasurer

C. A. Blair, Managing Director

#### **DIRECTORS**

S. R. Bernardo

J. D. McNie

C. A. Blair

R. S. Mills, o.c. A. M. Waters

J. H. Disher S. M. Fletcher

J. G. Webb

R. G. Groom, Q.C.

P. L. Wilson

R. B. Hare, M.D.; F.R.C.S.



ABSTAINERS' INSURANCE COMPANY, 24 Peel Street, Simcoe, Ontario

The only Canadian Company providing automobile and fire insurance exclusively to abstainers.